

SYSTEM CONSERVATION IMPLEMENTATION AGREEMENT (SCIA)
BETWEEN THE UNITED STATES BUREAU OF RECLAMATION AND
THE CITY OF NEEDLES, CALIFORNIA TO IMPLEMENT A PILOT SYSTEM
CONSERVATION PROGRAM (PILOT PROGRAM)

This SCIA to implement a Pilot Program is entered into this 15th day of April, 2016, by and between the United States Bureau of Reclamation (“Reclamation”) and the City of Needles, California (“Needles”), hereinafter referred to singularly as “Party” or collectively as “Parties.”

1. EXPLANATORY RECITALS

1.1 On July 30, 2014, Reclamation and four municipal entities, the Central Arizona Water Conservation District (“CAWCD”), The Metropolitan Water District of Southern California (“MWD”), Denver Water (“DW”), and the Southern Nevada Water Authority (“SNWA”) (collectively “Funding Agreement Parties”), entered into Agreement No. 14-XX-30-W0574 for a Pilot Program for funding the creation of Colorado River System water through voluntary water conservation and reductions in use (“Funding Agreement”).

1.2 On August 12, 2015, the Funding Agreement was amended to increase Reclamation’s funding ceiling for the Pilot Program.

1.3 Under the Funding Agreement, as amended, the Funding Agreement Parties will fund up to \$14 million for a Pilot Program to conserve Colorado River System water for storage in Lakes Powell and Mead.

1.4 On March 8, 2016, the Funding Agreement was further amended to allow the Funding Agreement Parties to provide additional funding for the Pilot Program.

1.5 The Pilot Program provides funding to develop short-term pilot projects that keep water in Lakes Powell and Mead through temporary, voluntary, and compensated conservation mechanisms.

1.6 Participation in System Conservation activities as part of the Pilot Program in the Lower Division States is limited to Entitlement Holders, as defined in the Funding Agreement, as amended.

1.7 Needles is an Entitlement Holder that holds a Colorado River water entitlement under Contract No. 05-XX-30-W0445, as amended (“Contract”). The Contract is for two Present Perfected Rights (“PPR”) that are listed in the Consolidated Decree of the Supreme Court of the United States in the case of *Arizona v. California et al.*, entered March 27, 2006 (547 U.S. 150 (2006)), consisting of: (i) PPR No. 43 which allows Needles to divert up to 1,500 acre-feet or consumptively use up to 950 acre-feet of Colorado River water per year, whichever is less, and (ii) PPR No. 44 which allows Needles to divert up to 1,260 acre-feet or

consumptively use up to 273 acre-feet per year, whichever is less. The combined annual diversion limit for these two PPR entitlements is 2,760 acre-feet per year with a combined consumptive use limit of 1,223 acre-feet per year.

1.8 Portions of the River Edge Golf Course (“REGC”) are located on Reclamation acquired land that is administered by the Bureau of Land Management (“BLM”) under the authority of Department of the Interior Manual Part 613. Needles holds Right of Way (“ROW”) CAAZRI 3226 from the BLM for the lands. This ROW was initially issued to the City by Reclamation in 1960 (Contract No. 14-05-0300-1025).

1.9 Needles submitted to Reclamation a Pilot Program proposal to (i) remove 40 percent of the existing REGC turf (approximately 40 acres of 104 acres) and replace it with ground cover such as 3 millimeter average diameter rock material, e.g., red clay composite that is used on ball fields or decomposed granite, and (ii) upgrade the REGC’s current irrigation system with, among other things, a multi-pump booster pumping station with variable frequency drive units, and concrete structure modifications allowing an existing concrete lined pond to be used as a clear well for the new pumping station.

1.10 The total amount of water on a diversion amount basis to be conserved under Needles’ proposal is a diversion amount of 3,460 acre-feet over approximately a 10-year period, as such period may be adjusted pursuant to Section 5.4 herein. Reclamation has estimated this diversion is equivalent to a consumptive use of 2,870 acre-feet. The Pilot Program proposal has specified the Pilot Program’s portion of the project cost will be \$505,000 or approximately \$176 per acre-foot.

1.11 Needles’ Pilot Program proposal was evaluated independently and collectively by the Funding Agreement Parties pursuant to the factors provided in Section 5.5 of the Funding Agreement, as amended.

1.12 Needles’ Pilot Program proposal was selected by the Funding Agreement Parties for inclusion in the Pilot Program.

1.13 Prior to entering into this SCIA, as provided in Section 5.3 of the Funding Agreement, as amended, Reclamation and the participating Funding Agreement Parties are required to enter into a project specific funding agreement specifying, among other things, the timing of the Funding Agreement Parties’ contributions and the project specific performance metrics upon which funds will be dispersed.

1.14 The project specific funding agreement (“Project Funding Agreement No. 15-XX-30-W0595”) was entered into and a copy is attached hereto as Exhibit A and made a part of this SCIA.

1.15 MWD, in accordance with Section 7.1 of the Funding Agreement, as amended, agrees not to request delivery of any of the water created pursuant to the Pilot Program which includes the System Conservation Water created under this SCIA by Needles. MWD is committed to working with Reclamation on the appropriate way to measure the amount of water conserved and saved in Lake Mead through the existing Colorado River Accounting and Water Use reporting process.

1.16 Reclamation has received separate letters from the Imperial Irrigation District (IID), the Palo Verde Irrigation District (PVID), and the Coachella Valley Water District (CVWD) providing that these California water agencies agree not to divert the conserved water generated through the Needles Pilot Program proposal, thereby ensuring that the conserved water remains in Lake Mead as System Conservation Water.

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, Reclamation and Needles agree as follows:

2. DEFINITIONS

2.1 Definitions included in the Funding Agreement, as amended, are applicable to this SCIA.

2.2 Exhibit A is a copy of Project Funding Agreement No. 15-XX-30-W0595 among Reclamation and the participating Funding Agreement Parties which is a project specific funding agreement providing for, among other things, the amount and timing of the Funding Agreement Parties' contributions and project specific performance metrics upon which funds will be dispersed. Exhibit A is attached hereto and made a part of this SCIA.

2.3 Exhibit B is a description provided by Needles of the Needles' Pilot Project phases. Exhibit B is attached hereto and made a part of this SCIA

2.4 Exhibit C is a copy of Pages 4 and 5 of Categorical Exclusion Checklist No. LC-15-24, dated January 7, 2016, which was prepared by Reclamation for this SCIA and which lists the environmental commitments that Needles agrees to abide by as provided in Section 9.2 herein. Exhibit C is attached hereto and made a part of this SCIA.

2.5 System Conservation Water means Colorado River water that is conserved by Needles under this SCIA and left in Lake Mead to benefit the Colorado River System pursuant to this SCIA.

3. DESCRIPTION OF NEEDLES' PILOT PROGRAM PROJECT (PILOT PROJECT)

3.1 The Pilot Project is for Needles to (i) remove 40 percent of the existing REGC turf (approximately 40 acres of the 104 acres) and replace it with ground cover such as 3 millimeter average diameter rock material, e.g., red clay composite that is used on ball fields or decomposed granite, and (ii) upgrade the REGC's current irrigation system, as more fully described in Exhibit B. The Pilot Project will conserve a diversion amount of 3,460 acre-feet of Colorado River water, which is equivalent to a consumptive use of 2,870 acre-feet, over a 10-year period, as such period may be adjusted pursuant to Section 5.4 herein.

3.2 To upgrade the REGC's current irrigation system, Needles proposes to construct a multi-pump booster pumping station with variable frequency drive units and concrete structure modifications allowing an existing concrete lined pond to be used as a clear well and the source of supply for the new pumping station for the REGC's irrigation system. The purpose for the upgrade to the REGC's irrigation system is to reduce the amount of water applied on the REGC.

3.3 Needles will reduce its diversion amount by 3,460 acre-feet over a 10-year period, as such period may be adjusted pursuant to Section 5.4 herein, which is equivalent to a reduction in its consumptive use of 2,870 acre-feet for the Pilot Program thereby creating 2,870 acre-feet of System Conservation Water that will remain in Lake Mead, at a cost of \$505,000 or approximately \$176 per acre-foot.

4. IMPLEMENTATION

4.1 Implementation begins upon execution of this SCIA and continues until termination of the SCIA in writing by Reclamation.

4.2 The Pilot Project will have a duration of 10 years beginning in 2016 through 2025, as such period may be adjusted by Reclamation pursuant to Section 5.4 herein. During that 10-year period, 2,870 acre-feet of water on a consumptive use basis is expected to be conserved. Needles' Pilot Project will be implemented in the following two phases.

4.2.1 Phase 1 - Turf Removal: Phase 1 will cover the eradication/removal of 40 acres of turf at the REGC and replacement of the turf with ground cover.

4.2.1.1 Funding for Phase 1 of the Pilot Project will be provided under this SCIA.

4.2.1.2 Needles will complete Phase 1 by December 31, 2016. In the event Needles is unable to complete Phase 1 by such date, Needles shall submit a written request for an extension of the completion date along with a written justification for the delay.

4.2.2 Phase 2 - Irrigation System Supply Upgrade: Phase 2 will cover upgrades to the REGC's current irrigation system.

4.2.2.1 Funding for Phase 2 of the Pilot Project will be provided by Needles. Needles will make its best effort to complete Phase 2 by March 31, 2017. Needles agrees to provide Reclamation with periodic status reports on completion of Phase 2.

4.2.2.2 Needles agrees that the water savings yield from Phase 2 of the Pilot Project is included in the 2,870 acre-foot consumptive use reduction for the Pilot Project. Needles acknowledges that if Phase 2 is not completed less water will be conserved and the term of this SCIA may be extended as provided in Section 5.4 herein.

4.3 Needles will reduce its consumptive use by approximately 287 acre-feet per year which will remain in Lake Mead. Accordingly, over the period of this SCIA, (2016 through 2025 or as adjusted pursuant to Section 5.4 herein), conservation will continue until 2,870 acre-feet of System Conservation Water is conserved in Lake Mead.

4.4 Needles' consumptive use of water, under the PPRs covered by its Contract for each year this SCIA is in effect, will be reduced by the amount of System Conservation Water (approximately 287 acre-feet) to remain in Lake Mead. Needles agrees to not offset the reduction of PPR water use through an increase in Lower Colorado Water Supply Project ("LCWSP") use. The amount of water available to Needles through the LCWSP for each year

that this SCIA is in effect will be limited to 527 acre-feet, as adjusted for climate conditions and population growth, and any other factors beyond Needles' control, within Needles' service area. The 527 acre-foot limit was calculated as the amount available to Needles in 2014 using a best fit trend analysis of the consumptive use from calendar years 2003 through 2014.

4.5 Needles agrees to submit to Reclamation an annual Colorado River water order that has been reduced by the amount of System Conservation Water anticipated to be conserved in Lake Mead and which remains within the combined PPR and LCWSP limits described above. The System Conservation Water to remain in Lake Mead will be reported in a section of the annual water order entitled, "Needles System Conservation Pilot Project." If, in any year, Needles anticipates a water order in excess of limitations noted here, the water order submitted for Reclamation's approval will include the rationale supporting the increased water order.

4.6 The Pilot Project will remain in effect until 2,870 acre-feet of System Conservation Water is conserved in Lake Mead through a reduction in consumptive use. Once such quantity has been conserved in Lake Mead, Needles is no longer obligated by this SCIA to conserve System Conservation Water pursuant to this SCIA and this SCIA will terminate in accordance with Section 10 herein pursuant to a written notice from Reclamation.

5. MONITORING

5.1 Pursuant to Section 5.3 of the Funding Agreement, as amended, Reclamation is required to verify and document reductions in consumptive use of Colorado River water under the Pilot Program.

5.2 Needles agrees to continue to measure and report to Reclamation the amount of water delivered to the REGC on a monthly basis.

5.3 Reclamation shall track the amount of water conserved by the Pilot Project each year to ensure that approximately 287 acre-feet of water on a consumptive use basis is conserved in Lake Mead annually. The amount of water conserved by the Pilot Project in any year shall be determined by comparing the amount of water consumptively used on the REGC with the average annual amount of water consumptively used on the REGC in the 5-year period preceding the Pilot Project (2010 through 2014). Reclamation reserves the right to adjust the amount of annual conservation in the event of extreme local weather conditions, in consultation with Needles.

5.3.1 Based on Reclamation's Colorado River Accounting and Water Use records, the average annual amount of water diverted for use on the REGC in the 2010 through 2014 period was 608 acre-feet, and the average annual amount of water use consumptively used on the REGC in that period was 479 acre-feet.

5.3.2 An example of the computation of System Conservation Water creation under this SCIA is as follows: If, during a year in which this SCIA is in effect, the amount of water consumptively used on the REGC during that year is 300 acre-feet, then Reclamation shall attribute 179 acre-feet (479 acre-feet minus 300 acre-feet) toward Needles' commitment to conserve 2,870 acre-feet in Lake Mead.

5.4 Reclamation shall provide reports periodically to Needles on the cumulative amount of water conserved by the Pilot Project. The term of this SCIA will be automatically adjusted to reflect how long it takes to conserve 2,870 acre-feet, as determined by Reclamation.

5.5 By entering into this SCIA, Needles grants access to Reclamation, or will provide for such access, to perform periodic on-site inspections of the Pilot Project to verify compliance with this SCIA.

5.6 Reclamation will use its existing Colorado River water order approval process to ensure that the water conserved for this Pilot Project is not ordered by Needles. Reclamation will use its existing Colorado River Accounting and Water Use reporting process in conjunction with its Inadvertent Overrun and Payback Policy to ensure that the water conserved by this Pilot Project was not used by Needles, IID, PVID, CVWD, and MWD and that Needles' unused entitlement is not accounted for as System Conservation Water.

6. EVALUATION

6.1 Reclamation's annual *Colorado River Accounting and Water Use Report - Arizona, California, and Nevada* ("Water Accounting Report") will document the amount of water consumptively used by Needles and the System Conservation Water created by Needles.

6.2 Reclamation and Needles agree that the System Conservation Water created pursuant to this SCIA and water created under other projects in the state of California under the Pilot Program shall accrue to the benefit of the Colorado River System and shall not accrue to the individual benefit of any Funding Agreement Party, Needles, or any third party.

7. COMPENSATION AND PAYMENTS

7.1 Compensation for System Conservation Water created under this SCIA shall be paid by Reclamation from the amounts contributed by non-Federal Funding Agreement Parties.

7.2 As required by Section 5.3 of the Funding Agreement, as amended, prior to entering into this SCIA, the Funding Agreement Parties entered into Project Funding Agreement No. 15-XX-30-W0595, a copy of which is Exhibit A.

7.3 The total Pilot Project cost is \$505,000. Needles will be paid \$505,000 by Reclamation for Colorado River water conserved by Needles. As provided by Project Funding Agreement No.15-XX-30-W0595, the payments by Reclamation to Needles for Colorado River water conserved by Needles will be made as follows:

Payments	Payment Amounts
Payment 1	\$50,000
Payment 2	\$200,000
Payment 3	\$204,500
Payment 4	50,500
Total Payment	\$505,000

7.4 Payment 1 in the amount of \$50,000 will be made by Reclamation to Needles no later than 60 days following the execution of this SCIA.

7.5 Payment 2 in the amount of \$200,000 will be made by Reclamation to Needles no later than 60 days following written notice to Reclamation by Needles of its commencement of turf removal.

7.6 Payment 3 in the amount of \$204,500 will be made by Reclamation to Needles no later than 60 days following written notice to Reclamation by Needles of its commencement of ground cover placement.

7.7 Payment 4 in the amount of \$50,500 will be made by Reclamation to Needles no later than 60 days following a field inspection by Reclamation and Needles confirming completion of the turf removal and ground cover replacement.

8. REIMBURSEMENT FOR OVERPAYMENT

8.1 In the unanticipated and unforeseen event that Needles fails to create the amount of System Conservation Water required to be created (2,870 acre-feet) under this SCIA, Needles agrees to reimburse Reclamation at the rate of \$176 per acre-foot for each acre-foot not created within 60 days of receipt of a bill for collection from Reclamation.

9. GENERAL TERMS

9.1 Needles agrees to remain in compliance with applicable Federal, State, and local environmental, cultural, and paleontological resource protection laws and regulations throughout the term of this SCIA. Needles will be responsible for all required permits.

9.2 Needles agrees to abide by the environmental commitments as listed on Pages 4 and 5 of Categorical Exclusion Checklist No. LC-15-24, dated January 7, 2016, which was prepared by Reclamation for this SCIA and which is attached hereto as Exhibit C.

9.3 Reclamation shall be responsible to obtain any further consents or forbearances required to ensure that System Conservation Water created by Needles remains in Lake Mead and does not inure to the benefit of any individual Entitlement Holder.

9.4 The System Conservation Water created by Needles under this SCIA will not be charged against Needles' use of Colorado River water or charged as a use of California's Colorado River apportionment.

9.5 Except as otherwise provided in this SCIA, Needles hereby releases and agrees that it will indemnify and hold harmless the United States and its officers, agents, employees, and successors or assigns, from every claim for damages to persons or property, direct or indirect, and of whatever nature, arising by reason of the creation of System Conservation Water under this SCIA. The United States shall be liable only for negligence on the part of its officers and employees in accordance with the Federal Tort Claims Act, as amended.

9.6 None of the provisions of this SCIA shall be considered waived, except when such waiver is given in writing. The failure of a party to this SCIA to insist in any one or more instances upon strict performance of any of the provisions, or to take advantage of any of its rights hereunder shall not be construed as a waiver of any such provisions or that party's relinquishment of any such rights for the future, but such provisions and rights shall continue and remain in full force and effect.

9.7 This SCIA is not intended nor shall it be construed to create any third-party beneficiary rights to enforce the terms of this SCIA in any person or entity that is not a party, other than CAWCD, MWD, DW, and SNWA. CAWCD, MWD, DW, and SNWA are expressly designated as third-party beneficiaries to this SCIA.

9.8 The Parties do not intend that any right or remedy given to a Party on the breach of any provision under this SCIA be exclusive; each such right or remedy is cumulative and in addition to any other remedy provided in this SCIA or otherwise available at law or in equity. If the non-breaching Party fails to exercise or delays in exercising any such right or remedy, the non-breaching party does not thereby waive that right or remedy. In addition, no single or partial exercise of any right, power or privilege precludes any other or further exercise of a right, power or privilege granted by this SCIA or otherwise.

9.9 Each Party to this SCIA represents that the person executing on behalf of such Party has full power and authority to do so, and that his/her signature is legally sufficient to bind the Party on whose behalf he/she is signing.

9.10 This SCIA constitutes a valid and binding agreement of each Party, enforceable against each Party in accordance with its terms. This SCIA is and will be binding upon and will inure to the benefit of the Parties and, upon dissolution, the legal successors and assigns of their assets and liabilities. In the event that Needles plans to enter into an agreement to sell or lease its interest in the REGC or to lease REGC operations to another party before Needles creates the amount of System Conservation Water required to be created (2,870 acre-feet) under this SCIA, Needles shall inform Reclamation in writing of such pending sale or lease and Needles agrees that any such sale or lease shall be subject to the buyer or lessee agreeing that the terms and conditions of this SCIA shall be binding on the buyer or lessee until such time as the 2,870 acre-feet of water has been conserved. Needles shall ensure the enforceability of the terms and conditions of this SCIA by reserving a restrictive covenant in any conveyance of its interest in the REGC, or by contract terms in any license, lease, permit, or concession agreement that transfers or assigns its interest in the REGC.

9.11 This SCIA may be supplemented, amended, or modified only by the written agreement of the Parties. No supplement, amendment, or modification will be binding unless it is in writing and signed by the Parties.

9.12 Any notice, demand, or request shall be deemed properly served, given, or made if delivered in person; sent by registered or certified mail, postage prepaid; or overnight delivery, charges prepaid or charged to the sender's account to the persons in the positions executing this SCIA.

9.13 All information and data obtained or developed with the performance of duties mentioned in this SCIA shall be available upon request to a Party, subject to the provisions of the Freedom of Information Act or other applicable law. However, use of said reports, data and information shall appropriately reference the source for the respective documents.

9.14 The expenditure or advance of any money or the performance of any obligation by the United States under this SCIA shall be contingent upon the appropriation or allotment of funds. No monetary liability shall accrue to the United States in case funds are not appropriated or allocated or received from the Funding Agreement Parties as provided in Project Funding Agreement No. 15-XX-30-W0595.

9.15 No member of or Delegate to Congress, Resident Commissioner, or official of Needles shall benefit from this SCIA other than as a water user or landowner in the same manner as other water users or landowners.

9.16 This SCIA is entered into under the Reclamation Act of 1902 as supplemented and amended and, in particular, the Boulder Canyon Project Act (45 Stat. 1057), the Colorado River Basin Salinity Control Act (88 Stat. 266), as amended, and consistent with Section 206 of Title II of Division D of the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235) constitutes a pilot project designed to increase Colorado River System water in Lake Mead to address the effects of historic drought conditions. Nothing in this SCIA diminishes or abrogates the authority of the Secretary of the Interior under applicable Federal law, regulations, or the Consolidated Decree of the Supreme Court of the United States in the case of *Arizona v. California, et al.*, entered March 27, 2006, (547 U.S. 150 (2006)), or as it may be further modified. This SCIA is subject to and controlled by the Colorado River Compact.

9.17 In the event that any dispute arises regarding this SCIA, Reclamation and Needles agree to meet and attempt to resolve the dispute before seeking any remedy.

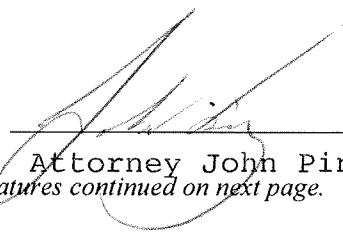
10. EFFECTIVE DATE

10.1 This SCIA shall become effective upon the date of its execution by both Parties. Once effective, this SCIA will remain in effect until all terms and conditions are satisfied and Reclamation provides a notice of termination letter to Needles.

10.2 The Parties hereto have executed this SCIA on the day and year first written above.

Approved as to form:

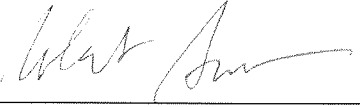
CITY OF NEEDLES, CALIFORNIA

By: 
Attorney John Pinkney
Signatures continued on next page.

By: 
Mayor Edward T. Paget

Approved as to form:

UNITED STATES OF AMERICA

By: 
Robert Snow, Esq.
Attorney-Advisor

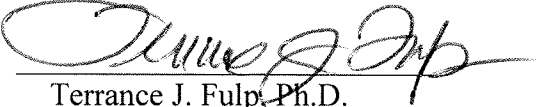
By: 
Terrance J. Fulp, Ph.D.
Regional Director
Lower Colorado Region
Bureau of Reclamation

EXHIBIT A

1. Attached is a copy of Project Funding Agreement No. 15-XX-30-W0595.



United States Department of the Interior

BUREAU OF RECLAMATION
Lower Colorado Regional Office
P.O. Box 61470
Boulder City, NV 89006-1470

IN REPLY REFER TO:

LC-4405
WTR-4.00

MAR 29 2016

VIA OVERNIGHT MAIL

Project Funding Agreement No. 15-XX-30-W0595

Mr. Jeffrey Kightlinger
General Manager
The Metropolitan Water District of
Southern California
700 North Alameda Street
Los Angeles, CA 90012

Mr. Jim Lochhead
CEO/Manager
Denver Water
1600 West 12th Avenue
Denver, CO 80204

Mr. Theodore C. Cooke
General Manager
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024

Mr. John Entsminger
General Manager
Southern Nevada Water Authority
1001 South Valley View Blvd., MS 480
Las Vegas, NV 89153

Subject: Project Specific Funding Agreement for the City of Needles (Needles) System Conservation Project Consistent With Agreement No. 14-XX-30-W0574, Dated July 30, 2014, as Amended (2014 Funding Agreement), Among the United States, the Central Arizona Water Conservation District (CAWCD), The Metropolitan Water District of Southern California (MWD), the City and County of Denver, Acting by and Through its Board of Water Commissioners (DW), and the Southern Nevada Water Authority (SNWA) (Collectively, the Funding Agreement Parties)

Dear Gentlemen:

Needles provided a proposal to implement a pilot system water conservation program created by the 2014 Funding Agreement (Pilot Program). Needles' proposal was approved by the Funding Agreement Parties to be part of the Pilot Program, subject to successful negotiation and execution of a System Conservation Implementation Agreement (SCIA). Needles proposes to (i) remove 40 percent of the existing River Edge Golf Course (REGC) turf (approximately 40 acres of 104 acres) and replace it with ground cover and (ii) upgrade the REGC's current irrigation system. The total amount of water conserved under Needles' proposal is a diversion amount of 3,460 acre-feet over a 10-year period equivalent to a consumptive use amount of 2,870 acre-feet at a cost of \$505,000 or approximately \$176 per acre-foot.

The Bureau of Reclamation (Reclamation) and Needles, pursuant to Sections 4.11 and 5.3 of the 2014 Funding Agreement, as amended, will enter into a SCIA relating to Needles' proposal upon approval by the Funding Agreement Parties of a project specific funding agreement providing for, among other things, the timing of the Funding Agreement Parties' contributions, and project specific performance metrics. This letter serves as the project specific funding agreement (Project Funding Agreement).

The Funding Agreement Parties agree as follows:

1. Project Costs: The total cost for water conserved during this Pilot Project is \$505,000.
2. Contributions – For Water Conserved During This Pilot Project: The contributions to be made by the Funding Agreement Parties under this Project Funding Agreement for water conserved by Needles during this Pilot Project will be as follows:

Water Conservation

Invoice	Reclamation's Contributions	CAWCD, MWD, DW, and SNWA Contributions			
		CAWCD	MWD	DW	SNWA
Payment 1	\$0	\$16,667	\$16,666	\$0	\$16,667
Payment 2	\$0	\$65,000	\$65,000	\$5,000	\$65,000
Payment 3	\$0	\$66,500	\$66,500	\$5,000	\$66,500
Payment 4	\$0	\$15,167	\$15,167	\$5,000	\$15,166
Total by Entity	\$0	\$163,334	\$163,333	\$15,000	\$163,333
<i>Total Amount: \$505,000</i>					

3. Invoicing:
 - 3.1 Reclamation will invoice CAWCD, MWD, DW, and SNWA for their contributions at least 45 days before payments are to be made by Reclamation to Needles under the SCIA entered into between Reclamation and Needles.
 - 3.2 Invoices must be paid within 30 days of the date of the invoice.
4. Payments to Reclamation: CAWCD, MWD, DW, and SNWA will submit their contributed shares to Reclamation using the payment options listed on the invoice.
5. Payments to Needles: Payments from Reclamation to Needles will be made in accordance with the SCIA entered into between Reclamation and Needles.
6. Performance Metrics: Project Specific Performance Metrics are set forth in Sections 3, 4, 5, and 6 of the SCIA entered into between Reclamation and Needles.
7. Approval of Form of SCIA: Consistent with the goal set forth in Section 5.6 of the 2014 Funding Agreement, as amended, the Funding Agreement Parties' execution of this Project

Funding Agreement also provides their approval of the form of the SCIA entered into between Reclamation and Needles.

8. Effective Date: This Project Funding Agreement will be effective upon the date of execution of the SCIA entered into between Reclamation and Needles.

CAWCD, MWD, DW, SNWA agree to the provisions of this Project Funding Agreement and their formal concurrence with this Project Funding Agreement is evidenced by their signatures below, as provided herein. Reclamation's signature on this Project Funding Agreement provides its formal concurrence, subject to the execution of this Project Funding Agreement by CAWCD, MWD, DW, and SNWA. This Project Funding Agreement may be signed in counterparts, each of which shall be an original and all of which, together, shall constitute only one Project Funding Agreement.

If you agree with the terms of this Project Funding Agreement, please sign as indicated below and return it to Reclamation. Reclamation will then forward to each party a fully executed original of the Project Funding Agreement.

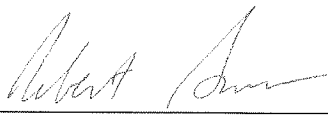
If you have questions, please contact Mr. Steven C. Hvinden, Chief, Boulder Canyon Operations Office, at 702-293-8414.

Sincerely,



Terrance J. Fulp, Ph.D.
Regional Director

Approved as to legal sufficiency:


By: 
Robert Snow, Esq.
Its: Attorney-Advisor

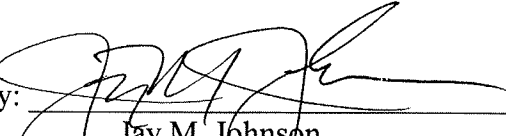
In Quintuple

Signatures continued on next page.

CAWCD:

Approved as to form:

By: 
 Its: Theodore C. Cooke
 General Manager

By: 
 Its: Jay M. Johnson
 General Counsel

MWD:

Approved as to form:

By: _____
 Its: Jeffrey Kightlinger
 General Manager

By: _____
 Its: Marcia L. Scully
 General Counsel

CITY AND COUNTY OF DENVER,
 acting by and through its BOARD OF
 WATER COMMISSIONERS:

Approved as to form:

By: _____
 Its: James S. Lochhead
 CEO/Manager

By: _____
 Its: Legal Division

SNWA:

Approved as to form:

By: _____
 Its: John Entsminger
 General Manager

By: _____
 Its: Gregory J. Walch, Esq.
 General Counsel

CAWCD:


Approved as to form:

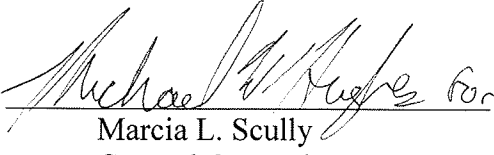
By: _____
 Theodore C. Cooke
 Its: General Manager

By: _____
 Jay M. Johnson
 Its: General Counsel

MWD:

Approved as to form:

By: 
 Jeffrey Kightlinger
 Its: General Manager

By: 
 Marcia L. Scully
 Its: General Counsel

CITY AND COUNTY OF DENVER,
 acting by and through its BOARD OF
 WATER COMMISSIONERS:

Approved as to form:

By: _____
 James S. Lochhead
 Its: CEO/Manager

By: _____
 Its: Legal Division

SNWA:

Approved as to form:

By: _____
 John Entsminger
 Its: General Manager

By: _____
 Gregory J. Walch, Esq.
 Its: General Counsel

CAWCD:

Approved as to form:

By: _____
 Theodore C. Cooke
 Its: General Manager

By: _____
 Jay M. Johnson
 Its: General Counsel

MWD:

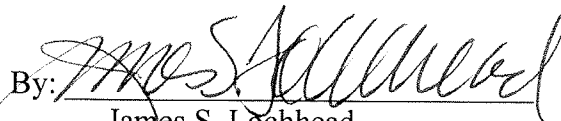
Approved as to form:

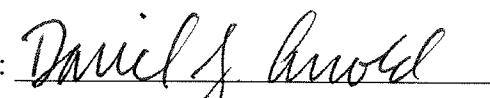
By: _____
 Jeffrey Kightlinger
 Its: General Manager

By: _____
 Marcia L. Scully
 Its: General Counsel

CITY AND COUNTY OF DENVER,
 acting by and through its BOARD OF
 WATER COMMISSIONERS:

Approved as to form:

By: 
 James S. Lochhead
 Its: CEO/Manager

By: 
 Its: Legal Division

SNWA:

Approved as to form:

By: _____
 John Entsminger
 Its: General Manager

By: _____
 Gregory J. Walch, Esq.
 Its: General Counsel

CAWCD:

Approved as to form:

By: _____
Theodore C. Cooke
Its: General Manager

By: _____
Jay M. Johnson
Its: General Counsel

MWD:

Approved as to form:

By: _____
Jeffrey Kightlinger
Its: General Manager

By: _____
Marcia L. Scully
Its: General Counsel

CITY AND COUNTY OF DENVER,
acting by and through its BOARD OF
WATER COMMISSIONERS:

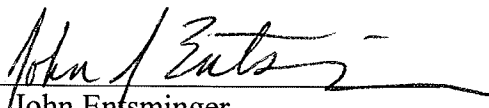
Approved as to form:

By: _____
James S. Lochhead
Its: CEO/Manager

By: _____
Its: Legal Division

SNWA:

Approved as to form:

By: 
John Entsminger
Its: General Manager

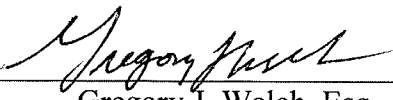
By: 
Gregory J. Walch, Esq.
Its: General Counsel

EXHIBIT B

1. Attached is a description provided by Needles of the Needles' Pilot Project phases.

EXHIBIT B - City of Needles – Voluntary Water Conservation and Reduction in Use

March 3, 2016

1. Description of Pilot Project Phases:

The project is proposed to be completed in two phases, turf removal and the new irrigation system supply upgrade as described below:

- Phase 1 – Turf removal. This phase of the project includes the removal of approximately 40% of the existing turf at the Golf Course. The City has currently stopped watering this portion of the course to facilitate the removal. Equipment will be brought in to disc the area to kill any remaining turf and weeds; the ground will then be shallow tilled to loosen the roots; scraping will then be used to remove all deleterious material within the tilled area; and finally the top layer will be removed. After removal, a weed block will be installed to prevent regrowth and a solid media (clay cinder or decomposed granite) will be placed to fill in where the turf was removed. Drought tolerant shrubs will be intermittently added for aesthetics.
- Phase 2 – Irrigation System Supply Upgrade. This phase of the project includes an upgrade to the current method of irrigation and irrigation facilities at the Golf Course. Currently, the irrigation system is supplied water from an existing 2,000 gallon per minute (gpm) well (fixed pumping rate). The irrigation system demand begins with a demand of 30 gpm (first sprinkler head) and rises to 2,000 gpm when all the sprinkler heads are running.

To achieve the above-mentioned changes to the irrigation method and system, the project proposes to use an existing concrete lined water pond at the golf course as a source to supply water to the irrigation system. A drain line was originally installed in the pond prior to placing the concrete lining and will be used by the project to access the pond water. A concrete structure will be constructed at the end of the drain line and used as a clear well to receive water from the pond. The concrete structure will include a top deck on which to mount a pre-designed and constructed package booster station. The packaged booster station will include a multi-pump arrangement that will pump water from the clear well; boost the water up to 100+ pounds per square inch of pressure; and discharge water to the existing irrigation system at the specified demand rate. The multiple pumps in concert with variable frequency drive units (adjusts the speed at which the pump runs to provide a range of pumping rates) will be required to meet the flow variations from 30 gpm to 2,000 gpm. For example, the first pump would supply the irrigation demand from 30 to 300 gpm, when the flows exceed 300 gpm; the second pump comes on and will pump a range from 300 to 1,000 gpm and finally the third pump clicks on when the flows exceed 1,000 gpm. The system would be designed to run two pumps at the full 2,000 gpm demand with the smaller unit turning off when the third pump comes on. As the package booster station draws down the level of the water in the pond, the well will come on to replenish the lost water ensuring that water is always available to the package booster station. The end result is an efficient, closed pumping system with little to no water loss/waste.

EXHIBIT C

1. Attached is a copy of Pages 4 and 5 of Categorical Exclusion Checklist No. LC-15-24, dated January 7, 2016, which was prepared by Reclamation for this SCIA and which lists the environmental commitments that Needles agrees to abide by as provided in Section 9.2 of this SCIA.

Water would be conveyed by an existing drain line from the pond to a concrete structure that would be constructed to be used as a clear well to receive water from the pond. The concrete structure would be approximately 6-foot square with a depth of 8-10-feet. It would be buried with a top deck on which to mount a pre-designed and constructed package booster station which will include pumps to draw water from the clear well and discharge it to the irrigation system. The City would provide all funding for Phase 2. Phase 2 is expected to be completed by April 1, 2016.

Indian Trust Assets (ITAs) are legal interests in property held in trust by the U.S. for Indian tribes or individuals. The proposed action has been reviewed for possible effects to ITAs. ITAs in the form of federally reserved Indian rights to Colorado River, Colorado River water Tribal delivery contracts where such contracts are part of a congressionally approved water rights settlement; and Indian reservations have been identified in the project area. There would be no impact to ITA's as the System Conservation Water to be created under this SIRA is part of the City's entitlement.

ENVIRONMENTAL COMMITMENTS:

General:

The City agrees to remain in compliance with applicable Federal, State, and local environmental, cultural, and paleontological resource protection laws and regulations throughout the term of the SCIA. The City will be responsible for all required permits.

The City shall follow all stipulations of ROW CAAZRI 3226 in the implementation of the Project.

Hazardous Materials:

Reclamation will be notified at 702-293-8130 if Federal, State, or local water or environmental regulatory standards are exceeded during any phase of the Project.

Biology

Vegetation removal, with the exception of removal of turf, associated with the Project must occur outside of the migratory bird nesting season, generally occurring from March 1st to August 31st. If vegetation removal cannot occur outside of the nesting season, the area will be surveyed by a qualified (as determined by Reclamation) biologist for migratory birds and nesting activity. If nesting activity is observed, appropriate avoidance buffers will be exercised until the young have fledged.

To prevent the spread of noxious and invasive weeds, equipment used for the Project shall be thoroughly cleaned prior to entering the project site. The cleaning process will ensure that all dirt and debris that may harbor noxious or invasive weeds seeds are removed and disposed of at an appropriate facility. Reclamation's *Inspection and Cleaning Manual for Equipment and Vehicles to Prevent the Spread of Invasive Species: 2012 Edition* should be referenced for inspection and cleaning activities. The manual can be found at:
<http://www.usbr.gov/mussels/prevention/docs/EquipmentInspectionandCleaningManual2012.pdf>

Cultural

No ground disturbing activities associated with this project may take place until Reclamation has completed consultation under Section 106 of the National Historic Preservation Act with the

California State Historic Preservation Officer. Reclamation and the City of Needles will comply with any stipulations as agreed to by the consulting parties.

In the event of an unanticipated discovery, all operations in the area of the discovery will cease and a Reclamation archaeologist contacted at 702-293-8130. "Discovery" means the encounter of any previously unidentified or incorrectly identified cultural resource including, but not limited to, archaeological deposits, human remains, or places reported to be associated with Native American religious beliefs and practices.